

## THE SECOND YEAR OF IMPLEMENTATION

We continued to consult with technical and legal specialists on difficult, contentious or complex matters to ensure that our decisions were legally sound and informed by evidence. We also mitigated potential risks to our audit quality by subjecting selected audits to at least two levels of independent reviews, including pre-issuance, peer and quality control proactive reviews.

Using lessons learnt from our first phase of implementation, we enhanced our training material and shifted our training approach from fundamental theoretical training to practical targeted training based on the implementation experience. Mindful of the current economic climate, we recruited conservatively for critical roles including legal and technical specialists. All other resourcing was from contracted firms or secondments across the organisation.

## MATERIAL IRREGULARITY COMMITTEE

The MI committee (MIC) is an internal governance committee that ensures consistency in applying the MI process. During 2020-21, the committee considered submissions of identified MIs and recommended action for the following auditees:

- Free State Department of Human Settlements (5 MIs)
- Free State Department of Education (1 MI)
- Department of Defence (1 MI)
- Ngaka Modiri Municipality (2 MIs).

The MIC also recommended referring one matter at the Mathjhabeng Municipality to the Directorate for Priority Crime Investigation (Hawks) for investigation.

We closely monitored the recommendations in the previous audit cycle to the Gauteng Department of Health and the Passenger Rail Agency of South Africa (Prasa), and a referral to the National Treasury. The results at the time of writing this report were:

- the recommendations to the Gauteng Department of Health were implemented, which resolved the MI and resulted in the accounting officer investigating the R8 million financial loss and taking the appropriate action to address the internal control weaknesses
- the recommendations to Prasa to conclude the investigation and determine the employees responsible for the R2,2 billion financial loss was still being implemented.
- the Northern Cape Department of Health matter that was referred to the National Treasury for investigation was still under way.

## ADVISORY COMMITTEE ON MATERIAL IRREGULARITIES

The independent advisory committee on material irregularities (ACMI) is important to implementing our enhanced powers. The committee held its first meeting in August 2020 and a two-day workshop in February 2021, which introduced members to our general functions and, more specifically, the MI process.

The members also spent significant time defining the ACMI's terms of reference and method of work to ensure that the independence of the committee remains intact.

Since the MI implementation has not reached the stage where the auditor-general has considered issuing certificates of debt, the ACMI has not heard any oral representations by accounting officers or members of accounting authorities.

## Summary of the MIs identified during the 2019-20 national, provincial and local government audit cycles

### STATUS OF MIs REPORTED IN AUDIT REPORTS

DESCRIPTION	National and provincial government	Local government
Accounting officer/authority is taking appropriate actions	33	6
Recommendations in the audit report for the accounting officer/authority's action	8	3
Referred to a public body for investigation	1	1
Accounting officer/authority resolved the MI	3	–
<b>Total</b>	<b>45</b>	<b>10</b>